AR17

CONSOLIDATED STATEMENT OF EARNINGS*

	For six months ended June 30 1969	1968
INCOME		
Transportation revenue	$ 54,616	$ 52,904
Other income	374	592
	$ 54,990	$ 53,496
EXPENSES		
Operating and administrative	$ 12,155	$ 12,792
Taxes, other than income	4,083	2,893
Depreciation and amortization	7,951	6,826
Interest	6,942	4,250
	$ 31,131	$ 26,761
Earnings before income taxes	$ 23,859	$ 26,735
Provision for income taxes	12,437	15,029
Net earnings	$ 11,422	$ 11,706
Net earnings per share	45¢	46¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*

SOURCE OF FUNDS		
Earnings for period	$ 11,422	$ 11,706
Depreciation and amortization	7,951	6,826
Deferred income taxes	3,595	1,793
Debentures issued	—	80,822
Bank term loans	30,179	—
	$ 53,147	$101,147
APPLICATION OF FUNDS		
Dividends	$ 9,158	$ 9,158
Capital expenditures	36,546	49,653
Long term debt reductions	3,636	6,514
Other (net)	66	737
	$ 49,406	$ 66,062
Change in Working Capital	$ 3,741	$ 35,085
Working capital—January 1	(40,335)	(10,277)
Working capital—June 30	$ (36,594)	$ 24,808

*Unaudited, $000's omitted.

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INTERPROVINCIAL PIPE LINE COMPANY

Interprovincial Pipe Line Company

QUARTERLY REPORT

for six months ended
June 30, 1969

Interprovincial Pipe Line Company

and its subsidiary companies

REPORT FOR SIX MONTHS ENDED JUNE 30, 1969

TO THE SHAREHOLDERS:

Operating and Financial

As expected, the record level of throughput (811,533 b/d) achieved in the first quarter of 1969 was not maintained in the second quarter. More refineries than usual in Western Canada and Ontario shut down for regular maintenance during the quarter and the United States refineries reduced their nominations to close to the quantities agreed to between Ottawa and Washington. As a result, deliveries of crude oil and natural gas liquids in the first half of 1969 were only 5% higher than in the corresponding period in 1968. Barrel miles were 2.5% greater.

Deliveries (barrels per day)	First six months	
	1969	1968
Western Canada	108,811	108,035
United States	300,349	264,820
Ontario	343,089	344,845
	752,249	717,700
Barrel Miles (millions)	174,248	170,034

As indicated in the Consolidated Statement of Earnings shown on the last page of this report, the additional revenue generated by the increased volumes—combined with the 5% reduction in operating expenses that was realized—was not sufficient to offset the higher interest expense, depreciation and property taxes arising from the $114 million expansion program undertaken in 1968. Consequently, earnings at $11.4 million, equivalent to 45¢ per share, were slightly less than in the corresponding period in 1968. The $637,000 reduction in operating expenses was largely the saving in fuel and power costs which resulted from having the new line from Superior to Griffith, Indiana in operation. A further substantial saving in fuel and power costs will be realized when this line is extended to Sarnia in late 1969.

Construction

The current $77 million expansion program is well underway. The 170 mile 34-inch looping program in Western Canada, which will complete the third line between Edmonton and Superior, is ahead of schedule and it is expected that the new 290 mile 30-inch line from Griffith, Indiana to Sarnia will be completed and in operation by the end of the year.

Alaska Discovery

The developments on the North Slope of Alaska and the effect that the marketing of this newly found production might have on Interprovincial's future operations is being closely followed by Management. As a pipe line through Canada might have a place in the marketing of this crude and any production that might be found in the Canadian Arctic, your company has recently joined with Trans Mountain Oil Pipe Line and four leading oil companies in forming Mackenzie Valley Pipe Line Research Limited.

The purpose of the new company is to determine the technological and economic feasibility of constructing and operating a large diameter crude oil pipe line from the North Slope of Alaska through the Yukon and Northwest Territories, generally paralleling the Mackenzie River, to Edmonton where it would connect with the existing Interprovincial and Trans Mountain pipe line systems. The results of the study, which is expected to cost about $1.5 million, should be available shortly after the first of the year.

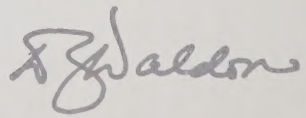
General

The complaint filed by Clark Oil & Refining Corporation with the Interstate Commerce Commission of the United States against Interprovincial and Lakehead for failure to publish a tariff and deliver Canadian crude oil to its refinery in the Chicago area has been heard by a Commission Examiner. No decision has been handed down, however. In the Stipulation and Agreed Statement of Facts it was agreed that, in the event the Commission finds in Clark's favour, money damages would not commence until after the date of the Commission's final order.

Mr. D. R. Walker resigned from the Board of Directors in June and on July 30 Mr. W. P. Wilder, President of Wood Gundy Securities Limited, was appointed to the Board to fill his unexpired term. Mr. Walker was one of the original directors of the company and contributed greatly to its success. His advice and guidance on financial matters was particularly appreciated.

Dividends

On July 30 your Board of Directors declared a quarterly dividend of 18¢ per share payable September 2 to shareholders of record August 7, 1969.



Edmonton, Alberta
August 8, 1969

President

INTERPROVINCIAL PIPE LINE COMPANY

REPORT OF THE TWENTIETH ANNUAL GENERAL MEETING OF SHAREHOLDERS

TORONTO, ONTARIO

APRIL 9, 1969

INTERPROVINCIAL PIPE LINE COMPANY
ANNUAL GENERAL MEETING
PROCEEDINGS

Interprovincial Pipe Line Company's Twentieth Annual General Meeting of Shareholders was held on April 9, 1969 in the Ontario Room at the Royal York Hotel, Toronto, and was chaired by Mr. D. G. Waldon, President of the company. Approximately 135 persons were present, of whom 104 were shareholders. Management and the Board are indeed gratified by the continued support of shareholders. Over 75% of the shares outstanding were represented in person or by proxy.

In addressing the meeting, Mr. Waldon dealt with many phases of the company's present and future operations and construction plans. His remarks have been printed for the benefit of those shareholders who were unable to attend.

In accordance with the requirements of the Ontario Securities Act, a poll vote was taken to confirm By-Law No. 33 which provides for an Employee Incentive Stock Option Plan. Of the 19,196,548 votes cast, 99.6% were in favour of the By-Law. Other business transacted during the meeting included approval of Directors' Report to Shareholders and financial statements for the year 1968, re-appointment of Price Waterhouse & Co., as auditors of the company and re-election of the present Board of Directors.

At the Board of Directors' Meeting following the Annual General Meeting the officers of the company were re-elected or re-appointed.

PRESIDENT'S REMARKS

Ladies and Gentlemen:

This is the 20th Annual General Meeting of Shareholders of Interprovincial Pipe Line Company. It hardly seems possible that twenty years have passed since the company was incorporated but this must be the case as the balance of the original twenty-year bonds fall due at the end of the year. The interest rate on these bonds is 3½%. How times have changed!

The first Annual General Meeting of Shareholders was held in the offices of The Royal Trust Company in Toronto on April 14, 1950. Dr. Oliver Hopkins—the company's first president—presided and the records show that thirteen of the then fifteen shareholders were present in person or represented by proxy. Only one debentureholder had converted to stock by that time and he had failed to send in his proxy. The other missing proxy was that of one of the original oil company shareholders. Its representative was present—as a matter of fact he was a director—but he forgot to bring the proxy!

It is to be recalled that only a few shares were issued initially. The original equity was raised almost entirely by the sale of 4% convertible debentures.

Tom Johnston and Denzil Walker were directors at that time. The rest of us joined the board later—some of us exceedingly more recently than others.

At that first meeting Dr. Hopkins reported on the status of the financing that the then new company had arranged. He also commented on right-of-way procurement, pipe deliveries, and the contracts that had been awarded for the construction that was about to begin. In this respect things have not changed very much. Later in my remarks I will have something to say on all these subjects—as they relate to the current year's expansion plans. I will also have something to say on the Alaska discovery and the effect it might have on Interprovincial's operations.

But first a few words about 1968. In most respects 1968 was the most successful year in the company's history. More oil than ever before was transported, a major expansion program was undertaken and largely completed and the modest increase in earnings forecast at this time last year did materialize. In this latter connection, I cannot resist reiterating what is stated in the Annual Report, namely, had income taxes remained at the same rates as in 1967, net income would have been 98¢ per share rather than 92¢ per share.

As indicated in the table on page 7 of the Annual Report, Ontario continued to be our largest market averaging 339,000 barrels per day. The increase in deliveries in the United States to 271,000 barrels per day was also very gratifying and is about what we anticipated. There is no question, however, that exports would have been higher had the United States refineries been free to import all the Canadian crude they wished to run.

The United States refineries east of the Rocky Mountains are not free to import all the refinery

feed stocks they wish, however. In accordance with the terms of the U.S. Oil Import Policy, total imports into Districts I to IV in any given year from all sources, including Canada, are limited to 12.2% of estimated U.S. domestic production in those districts. Canadian crude enjoys special status under this policy by virtue of the overland exemption clause but it was always understood that restraint would be shown and that the growth in imports from Canada would be orderly. The alternative would likely be a quota system which would be much more rigid.

This arrangement did not work out to the entire satisfaction of the United States authorities, however, as became evident early in 1967 when our line to Chicago was proposed as part of the Canadian oil industry's efforts to further increase sales of Canadian crude in the United States. Sales could not be increased unless our facilities east of Superior were expanded. The result was that the Canadian government found it necessary to assure the United States authorities that it would use its best offices to restrict the growth in exports up to and including 1971 to what appeared at that time to be a reasonable level.

The volumes agreed to are stipulated in the exchange of diplomatic notes that took place between Ottawa and Washington in September 1967 which recently became public documents. The Canadian authorities also found it necessary to agree that no sales would be made in the Chicago area before 1970, and Interprovincial in turn was required to assure the Canadian government that its proposed loop via Chicago was economically viable without deliveries in Chicago initially and that it was prepared to not connect with the Chicago refineries or quote tariffs to Chicago before 1970.

This the company agreed to do as the "loop" concept is economically sound without deliveries in Chicago initially; and we were, and still are, convinced that a substantial market for Canadian crude exists in the Chicago area. We are also hopeful that the present restrictions will be eased in the not too distant future.

Our confidence in a market for Canadian crude in Chicago was not long in being confirmed as evidenced by the complaint that Clark Oil & Refining Company has filed with the United States Interstate Commerce Commission. Clark operates a 65,000 barrel per day refinery in the Chicago area and notwithstanding the fact that they are a substantial shareholder in Capline, they want some Canadian crude, and they are not prepared to wait until 1970. What they are doing is challenging the validity of the intergovernmental agreement. The hearing is scheduled for April 14 in Washington and we are of course preparing to defend.

At this point I would like to make it clear that, while we knew that discussions were taking place and that some kind of agreement was eventually entered into, we were not privy to the details. All we were told by the Canadian authorities was that the minimum export quantities we had specified as being necessary in order for us to proceed with our loop via Chicago would be possible—providing the demand continued—and an indication of the growth in exports that would be acceptable to the United States authorities through 1971. Our own appraisal of the situation, compiled from information furnished by the shippers and an independent study conducted by Stanford Research Institute, indicated that the demand was certainly there.

In any event, having seen what could happen when the Middle East situation flared up in 1967

and realizing that at the worst the Chicago loop would represent a pre-investment of funds, we decided to go ahead with the first step of the new loop in 1968, namely a 34-inch line from Superior to Chicago.

At this point you may wish to turn to the map on the centre-page of the Annual Report. As reported in the Annual Report, except for some clean-up work, the line to Chicago, actually to Tecumseh Pipe Line Company's terminal near Griffith, Indiana, was completed towards the end of the year. Oil is now being delivered to the Detroit-Toledo refineries by connecting carriers via this line as well as by the company's northern line via the Straits of Mackinac. This has freed space in the northern line for increased deliveries in Upper Michigan, Ontario and Buffalo.

The last thing to be completed on the Chicago line was the overhead crossing of the Chicago Sanitary and Ship Canal which turned out to be much more complex and costly than we had anticipated. Two 34-inch lines were arched across the canal, one supporting the other. The arch is roughly 300 feet long and is 95 feet above the water. It weighs 105 tons. It was not as difficult a crossing as the $4\frac{1}{2}$ mile crossing of the Straits of Mackinac on the northern route but it is still quite an engineering feat, particularly as traffic on the canal could only be stopped for very short periods.

Regarding our plans for 1969; to continue to be in a position to meet the increasing demand for Canadian crude another major expansion program is required. Capital expenditures are estimated at $77 million.

As announced in September and outlined in the Annual Report, the two major projects consist of completing the third line between Edmonton and

Superior and completing the second line between Superior and Sarnia. The first-mentioned requires the installation of 170 miles of 34-inch pipe in six sections between Edmonton and Regina and completing the Chicago loop consists of constructing a 290-mile 30-inch line from Griffith, Indiana to Sarnia.

Dealing with the looping in Western Canada first, the pipe and horsepower being added will increase the capacity of the system from Edmonton to Regina from 633,000 barrels per day to 1,000,000 barrels per day. Sufficient additional capacity for 1970 operations could probably be obtained by installing only 100 miles of the missing 170 miles of 34-inch pipe and, with the present cost of money, it was very tempting to do just that but we decided to loop out as there is a definite cash advantage, but not an immediate improvement in earnings, in looping out in 1969 rather than waiting until 1970.

The reason for this is that a substantial saving in fuel and power results from having three lines in operation between Edmonton and Superior and certain capital costs connected with the installation of temporary crossovers are avoided. The pipe for the 170 miles of looping is now being fabricated and the construction contracts have been awarded.

Regarding the 30-inch line from Griffith to Sarnia, construction of this line is required in 1969 to take care of the growth that is now anticipated in the Ontario and Buffalo markets. Even with the ten temporary stations in operation, the existing 30-inch line to Sarnia does not have sufficient capacity to meet the forecast demand in these markets. In addition, as indicated in the Annual Report, a substantial saving in fuel and power costs

will result from having two lines in operation to Sarnia.

The pipe for this 30-inch line has been ordered, the U.S. Presidential Permit to cross the St. Clair River has been received and the major construction contracts have been awarded. The only concern now is the right-of-way.

Fortunately we started acquiring the right-of-way for this 290-mile line in 1968 and, as a result, now have better than 80% of the mileage. The rest is coming very slowly, however, and we are having to resort to expropriation proceedings, or condemnation proceedings as it is known in the United States, under applicable state legislation.

While this is disturbing, we are confident that construction will not be held up and eventually all the necessary easements and permits will be obtained. Further, as has been our experience in the past, once the proceedings are over and the pipe is in the ground, most of the landowners will concede that we are not such "bad guys" after all.

Additional financing has, of course, been required in order to proceed with this construction program. In view of our anticipated cash flow this has been arranged in the form of medium term bank loans, $50 million for Interprovincial, $20 million of which is due July 1, 1971, and $35 million for Lakehead. We had intended to go to the Canadian long term money market for $20 million and had a prospectus well under way when the interest rates increased again. This caused us to re-examine the situation and we decided to postpone the issue. We think that interest rates will improve within the next two years and in the meantime we are not paying any more for the $20 million than we would likely have had to pay on a twenty-year debenture issue.

Now about Alaska. There appears to be no doubt that the Prudhoe Bay discovery on the north slope of Alaska is a significant discovery. Very few oil fields in the world contain five to ten billion barrels of oil—and this estimate is believed to be conservative. Considerable development work still remains to be done but it seems safe to assume that some day this production will find its way to market, particularly as it is U.S. production.

Five to ten billion barrels is a lot of oil. To keep things in perspective, however, it should be noted that the United States and Canada combined are today consuming petroleum products at a rate greater than five billion barrels per year; and by 1980 it is conservatively estimated that the demand for petroleum products in these two countries will be in excess of seven billion barrels per year.

Of the several methods of transporting this production to market that are being studied and discussed, the two receiving the most attention are (1) a pipe line across Alaska coupled with a tanker movement to the west coast of the United States and (2) a tanker movement out of the Arctic through the Northwest Passage to the east coast. A company has in fact been formed for the purpose of constructing a 48-inch pipe line across Alaska to be in operation some time in 1972, and a large tanker is presently being equipped to operate in the Arctic on an experimental basis later this year.

Neither of these proposals, in our opinion, pose a major threat to Interprovincial. The pipe line and tanker movement to the west coast of the United States could very well have a marked effect on the sale of Canadian crude oil on the west coast, but we do not think it will have a material effect on the sale of Canadian crude in the United

States markets that we serve. Canadian crude is very much in demand in the U.S. marketing areas served by Interprovincial, both as to price and quality, and by the time Alaska crude becomes a factor, we are confident that the demand for all forms of energy will be such that there will be room for all. This, of course, is speculation but represents our views today.

Returning to the present, I am pleased to advise that deliveries in the first quarter of 1969 averaged 811,000 barrels per day as compared to 730,000 barrels per day in the first quarter of 1968. This represents an 11% increase over the corresponding period in 1968. I would caution, however, that this level of throughput will not likely be maintained throughout the year and because of increased fixed charges, as a result of the 1968 expansion program, very little of the additional operating revenue will carry through to net income.

Consequently, in 1969 an increase in earnings will be difficult to achieve. The year 1970 is much more promising. Our major capital expenditures will be behind us by then and unit fuel and power costs will be considerably reduced.

Constructing a second line from Superior to Sarnia via Chicago over a two-year period, rather than looping as required along the original right-of-way, represents a substantial pre-investment of capital. We are confident, however, that the expenditure is justified and that it will not be very long before the new line is earning its way.

The next dividend is due the first of June. Just prior to this meeting your Board declared a second quarterly dividend of 18¢ per share payable June 2 to shareholders of record on May 1.

AR17

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PRESS RELEASE

FOR IMMEDIATE RELEASE

Interprovincial Pipe Line Company's expansion plans for 1969 were announced today. To be in a position to meet the anticipated demand for Western Canadian crude oil in 1970, the company has decided to complete its third line between Edmonton and Superior and to complete its Superior-Chicago-Sarnia loop.

Completing the third line between Edmonton and Superior will involve the installation of 170 miles of 34-inch pipe in six sections between Edmonton and Regina; and completing the Chicago loop will consist of constructing a 290-mile 30-inch line from Griffith, Indiana to Sarnia, Ontario.

The balance of the $75 million expansion program consists of a 217,000 barrel tank at Edmonton; extensive modifications to the Edmonton and Superior tank farms to increase their pump-out capacity; additional pumping units at six existing pumping stations; and a new pumping station on the 34-inch line which is now under construction from Superior to Griffith.

The facilities being added in Canada are subject to the approval of the National Energy Board.

INTERPROVINCIAL PIPE LINE COMPANY

D. G. Waldon
President

TORONTO, ONTARIO
September 27, 1968

AR17

Annual meeting, April 1969

PRESIDENT'S REMARKS

Ladies and Gentlemen:

This is the 20th Annual General Meeting of Shareholders of Interprovincial Pipe Line Company and is the first meeting at which I have had the privilege - and responsibility - of presiding. It hardly seems possible that twenty years have passed since the company was incorporated [by Special Act of Parliament in April 1949] but this must be the case as the balance of the original twenty-year bonds fall due at the end of the year. The interest rate on these bonds is 3 1/2%. How times have changed!

The first Annual General Meeting of Shareholders was held in the offices of the Royal Trust Company in Toronto on April 14, 1950. Dr. Oliver Hopkins - the company's first president - presided and the records show that thirteen of the then fifteen shareholders were present in person or represented by proxy. Only one debenture holder had converted to stock by that time and he had failed to send in his proxy. The other missing proxy was that of one of the original oil company shareholders. Their representative was present - as a matter of fact he was a director - but he forgot to bring the proxy!

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But first a few words about 1968. In most respects 1968 was the most successful year in the company's history. More oil than ever before was transported - a major expansion program was undertaken and largely completed - and the modest increase in earnings forecast at this time last year - did materialize. In this latter connection, I cannot resist reiterating what is stated in the Annual Report - namely - had income taxes remained at the same rates as in 1967 - net income would have been 98¢ per share rather than 92¢ per share.

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Canadian government that its proposed loop via Chicago was economically viable without deliveries in Chicago initially - and that it was prepared to not connect with the Chicago refineries or quote tariffs to Chicago before 1970.

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Regarding our plans for 1969. To continue to be in a position to meet the increasing demand for Canadian crude - another major expansion program is required in 1969. Capital expenditures are estimated at $77 million.

As announced in September and outlined in the Annual Report, the two major projects consist of completing the third line between Edmonton and Superior - and completing the second line between Superior and Sarnia. The first mentioned requires the installation of 170 miles of 34-inch pipe in six sections between Edmonton and Regina - and completing the Chicago loop consists of constructing a 290-mile 30-inch line from Griffith, Indiana to Sarnia.

Dealing with the looping in Western Canada first, the pipe and horsepower being added will increase the capacity of the system from Edmonton to Regina from 633,000 barrels per day to 1,000,000 barrels per day. Sufficient additional capacity for 1970 operations could probably be obtained by installing only 100 miles of the missing 170 miles of 34-inch pipe - and with the present cost of money, it was very tempting to do just that - but we decided to loop out as there is a definite cash advantage - but not an immediate improvement in earnings - in looping out in 1969 rather than waiting until 1970.

The reason for this is that a substantial saving in fuel and power results from having three lines in operation between Edmonton and Superior and certain capital costs connected with the installation of temporary crossovers are avoided. The pipe for the 170 miles of looping is now being fabricated and the construction contracts have been awarded.

As regards the 30-inch line from Griffith to Sarnia, construction of this line is required in 1969 to take care of the growth that is now anticipated in the Ontario and Buffalo markets. Even with the ten temporary stations in operation, the existing 30-inch line to Sarnia does not have sufficient capacity to meet the forecast demand in these markets. In addition, as indicated in the Annual Report, a substantial saving in fuel and power costs will result from having two lines in operation to Sarnia.

The pipe for this 30-inch line has been ordered - the U.S. Presidential Permit to cross the St. Clair River has been received - and the major construction contracts have been awarded. The only concern now is the right-of-way.

Fortunately we started acquiring the right-of-way for this 290-mile line in 1968 and as a result now have better than 80% of the mileage. The rest is coming very slowly, however, and we are having to resort to expropriation proceedings - or condemnation proceedings as it is known in the United States - under applicable state legislation.

While this is disturbing, we are confident that construction will not be held up and eventually all the necessary easements and permits will be obtained. Further, as has been our experience in the past, once the proceedings are over and the pipe is in the ground, most of the landowners will concede that we are not such bad guys after all.

Additional financing has, of course, been required in order to proceed with this construction program. In view of our anticipated cash flow - this has been arranged in the form of medium term bank loans - $50 million for Interprovincial, $20 million of which is due July 1, 1971 - and $35 million for Lakehead. We had intended to go to the Canadian long term money market for $20 million - and had a prospectus well under way - when the interest rates increased again. This caused us to re-examine the situation and we decided to postpone the issue. We think that interest rates will improve within the next two years and in the meantime we are not paying any more for the $20 million than we would likely have had to pay on a twenty-year debenture issue.

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Five to ten billion barrels is a lot of oil. To keep things in perspective, however, it should be noted that the United States and Canada combined is today consuming petroleum products at a rate greater than five billion barrels per year. And by 1980 - it is conservatively estimated that the demand for petroleum products in these two countries will be in excess of seven billion barrels per year.

Of the several methods of transporting this production to market that are being studied and discussed, the two receiving the most attention are (1) a pipe line across Alaska coupled with a tanker movement to the west coast of the United States and (2) a tanker movement out of the Arctic through the Northwest Passage to the east coast. A company has in fact been formed for the purpose of constructing a 48-inch pipe line across Alaska to be in operation some time in 1972, and a large tanker is presently being equipped to operate in the Arctic on an experimental basis later this year.

Neither of these proposals, in our opinion, pose a major threat to Interprovincial. The pipe line and tanker movement to the west coast of the United States could very well have a marked effect on the sale of Canadian crude oil on the west coast, but we do not think it will have a material effect on the sale of Canadian crude in the United States markets that we serve. Canadian crude is very much in demand in the U.S. marketing areas served by Interprovincial - both as to price and quality - and by the time Alaska crude becomes a factor, we are confident that the demand for all forms of energy will be such that there will be room for all. This, of course, is speculation, but represents our views today.

Returning to the present, I am pleased to advise that deliveries in the first quarter of 1969 averaged 811,000 barrels per day as compared to 730,000 barrels per day in the first quarter of 1968. This represents an 11% increase over the corresponding period in 1968. I would caution, however, that this level of throughput will not likely be maintained

throughout the year and because of increased fixed charges - as a result of the 1968 expansion program - very little of the additional operating revenue will carry through to net income.

Consequently, in 1969 an increase in earnings will be difficult to achieve. The year 1970 is much more promising. Our major capital expenditures will be behind us by then and unit fuel and power costs will be considerably reduced.

Constructing a second line from Superior to Sarnia via Chicago over a two-year period rather than looping as required along the original right-of-way, represents a substantial pre-investment of capital. We are confident, however, that the expenditure is justified and that it will not be very long before the new line is earning its way.

The next dividend is due the first of June. Just prior to this meeting your Board declared a second quarterly dividend of 18¢ per share payable June 2 to shareholders of record on May 1.

AR17

INTERPROVINCIAL PIPE LINE COMPANY

Annual Report 1969

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Annual General Meeting—2:30 p.m. April 8, 1970, Ontario Room, Royal York Hotel, 100 Front Street, West, Toronto, Ontario.

(Incorporated by Special Act of the Parliament of Canada, April 30, 1949)

The Pipe Line Transportation System (as at December 31, 1969)

	Canada	United States	Total
Miles of right-of-way	1,038	1,740	2,778
Miles of main line pipe	2,745	2,391	5,136
Number of pumping stations	22	24	46
Installed horsepower—diesel	44,220	89,560	133,780
—electric	176,150	117,000	293,150
Total	220,370	206,560	426,930
Line fill, in barrels (provided by shippers)	8,643,000	10,317,000	18,960,000
Tankage capacity, in barrels	5,729,000	3,924,000	9,653,000
Refineries served	18	17	35
Separate streams of crude oil transported			30

Corporate Information

EXECUTIVE OFFICE

7 King Street East Toronto, Ontario

HEAD OFFICE

10015—103 Avenue Edmonton, Alberta

STOCK TRANSFER AGENTS—

The Royal Trust Company Toronto, Montreal, Halifax, Winnipeg, Regina, Edmonton, Vancouver

Chemical Bank New York

STOCK REGISTRARS—

Montreal Trust Company Toronto, Montreal, Halifax, Winnipeg, Regina, Edmonton, Vancouver

Bank of Montreal Trust Company New York

1969 Highlights

FINANCIAL	1969	1968	Percentage Increase (Decrease)
Transportation revenue	$114,465,000	$105,532,000	8.5%
Other income	$ 994,000	$ 1,049,000	(5.2)
Expenses, excluding taxes	$ 55,862,000	$ 48,081,000	16.2
Income and other taxes	$ 35,171,000	$ 35,166,000	—
Earnings	$ 24,426,000	$ 23,334,000	4.7
per share	$0.96	$0.92	
Dividends	$ 18,316,000	$ 18,316,000	—
per share	$0.72	$0.72	
Cash flow from operations	$ 49,137,000	$ 45,864,000	7.1
per share	$1.93	$1.80	
Capital expenditures	$ 70,595,000	$114,189,000	(38.2)

OPERATING			
Deliveries (barrels per day)	775,971	716,727	8.3
Barrel miles (millions)	366,287	337,978	8.4
Number of employees—December 31	603	562	7.3
Investment in plant, per employee	$ 974,000	$ 923,000	5.5



150,000 barrel tank

Directors' Report to Shareholders

1969 was another very active year for Interprovincial. Due mainly to increased deliveries in the United States, a record 283.2 million barrels of crude oil and natural gas liquids were transported—nearly 21 million more than in 1968—and a major expansion program was undertaken and largely completed. Capital expenditures totalled $70.6 million for an aggregate of $261.5 million during the last three years.

The two principal construction projects were the final 170 miles of 34-inch loops in Western Canada and a new 290-mile 30-inch line from Griffith, Indiana to Sarnia, Ontario. With the completion of these projects the company now has three lines in operation between Edmonton and Superior and two lines in operation between Superior and Sarnia—one via the Straits of Mackinac and one via Chicago. Deliveries to refineries in the Chicago area commenced in January 1970.

The financial results for 1969 were also gratifying. Contrary to earlier expectations net income reached a new high of $24.4 million, equivalent to 96¢ per share.

Of great interest to the company and its shareholders will be the final resolution of the oil import policy of the United States. The matter has been under review by a Presidential Task Force for some time and a decision is expected shortly. While the short term out-

look for exports of Canadian crude to the United States is uncertain at this time, with their ever increasing demand for all forms of energy and continued negotiations between the two countries, the long term outlook appears favourable.

Also of interest to shareholders are the developments on the North Slope of Alaska and the recent discovery of oil in the Canadian Arctic near the mouth of the Mackenzie River. The Alaska find is unquestionably a significant discovery. Very few oil fields in the world contain ten billion barrels of oil and this estimate is believed to be conservative. Development has not been as rapid as first expected however, and it is still too early to assess the effect the marketing of this newly found production might have on Interprovincial's operations. The Canadian discovery could be of considerable significance but it will be some time before the extent of this find is known.





As previously announced, in June 1969 Interprovincial joined with Trans Mountain Oil Pipe Line Company and four leading oil companies in forming Mackenzie Valley Pipe Line Research Limited. Four additional companies have since joined the group. The purpose of the company is to determine the technological and economic feasibility of constructing and operating a large diameter crude oil pipe line from the North Slope of Alaska to Edmonton. Such a line would be close to 1,700 miles in length and preliminary indications on its feasibility are promising. The prospects of this line being constructed will be further improved if subsequent drilling in the Canadian Arctic results in the discovery of substantial reserves.

FINANCIAL REVIEW

The Consolidated Financial Statements and the Notes, appearing on pages 10 through 16, include the accounts of Interprovincial Pipe Line Company and its subsidiaries, which are wholly owned. These are Lakehead Pipe Line Company, Inc., which owns and operates the

portion of the pipe line system in the United States, and its wholly owned subsidiary, Pipe Line Service Company, Inc., which owns Lakehead's aircraft and radio communication system. Interprovincial also has an inactive Canadian subsidiary, Interprovincial Pipe Line Patrol Company Limited.

Income and Expenses

Deliveries of crude oil were 8.3% more than in 1968 while transportation revenue at $114.5 million increased 8.5%. Other income was approximately the same at $1 million.

Operating and administrative expenses of $25.4 million were slightly less than last year. Fuel and power costs were $1.5 million less than in 1968 but this was largely offset by increased oil losses, salaries and other expenses including $227,000 as the company's share of the expenses of Mackenzie Valley Pipe Line Research Limited.

The reduction in fuel and power costs was attributable to: a lower throughput to capacity ratio, which resulted from prior years' looping programs carried out between Edmonton and Superior; and not requiring the full use of the 10 temporary stations on the 30-inch line between Superior and Sarnia by utilizing the new 34-inch line from Superior to Chicago. As a result of the completion, late in 1969, of the third line between Edmonton and Superior, and the second line between Superior and Sarnia via Chicago, it is expected there will be a further reduction in unit fuel and power costs in 1970.

Taxes, other than income taxes, which are primarily property taxes, continued to rise. This was due to large



Superior tank farm

Tie-in of 34-inch suction line at Superior station



capital additions and to increased tax rates. The average rate paid per $1,000 of investment increased from $14.27 in 1968 to $16.07 in 1969.

Depreciation increased substantially as a result of the $114.2 million expended on capital additions in 1968. Interest expense was 61% higher due to the additional debt incurred to finance this construction program.

Earnings and Dividends

Earnings for the year were $24.4 million, equivalent to 96¢ per share. Comparable figures for 1968 were $23.3 million and 92¢ per share.

Regular quarterly dividends of 18¢ per share paid during the year totalled $18.3 million and represented 75% of earnings. This is the same quarterly rate that has been in effect since 1966. The rate was increased to 20¢ per share effective with the March 2, 1970 dividend.

Income Taxes

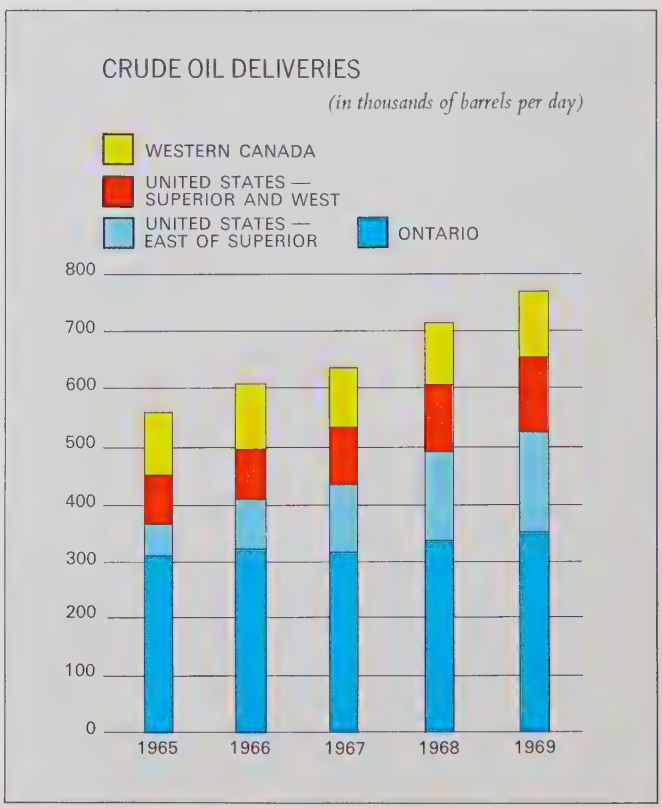
Provision for income taxes was lower than in 1968 by $2.5 million. The reduction was attributable to: lower taxable earnings due to increased interest, property taxes and depreciation charges; less United States withholding taxes as a result of decreased interest and dividend payments from Lakehead; and increased amortization of United States deferred investment tax credits arising from the 1968 construction program.

Financing

No additional financing is contemplated in 1970. As mentioned in the 1968 Annual Report, arrangements were made for bank financing totalling $85 million in 1969 to: complete the 1969 construction program, redeem the Series A and B Bonds maturing January 1, 1970 and refinance the short term bank loan incurred during 1968. However, due to increased transportation revenue and the timing of the construction program, only $80 million was required. For further details, reference should be made to Note 3 of Notes to Financial Statements.

TARIFFS

Interprovincial and Lakehead are engaged exclusively in the transportation of crude oil and other liquid hydrocarbons by pipe line at established tariffs. Tariffs remained unchanged throughout the year; however effective January 1, 1970, tariffs to the Chicago area were published. Rates from the two main receiving



points to the principal delivery points are presently as follows:

To	Rates for light crudes in cents per barrel From	
	Edmonton	Cromer
Regina	20.7¢	— ¢
Gretna	29.5	11.4
Clearbrook	32.5	16.7
Superior	36.3	22.5
Detroit/Toledo	53.0*	42.3*
Chicago	45.0	34.0
Sarnia	48.0	37.3
Toronto area	51.0	40.3
Buffalo	53.0	42.3

**Joint rates with connecting carriers*

The Clark Oil & Refining Corporation complaint to the Interstate Commerce Commission regarding failure of Interprovincial and Lakehead to publish tariffs to Chicago was heard by a single Examiner of the Commission, who found in the companies' favour. Clark appealed to the full Commission and challenged the Examiner's finding that the agreement between the United States and Canada, dated September 25, 1967, had the status of a treaty. Clark particularly attacked the provision in the intergovernmental agreement which states that the growth needs of existing customers will be satisfied before new markets are served. The complaint was heard by the entire Commission on January 21, 1970, and judgment was reserved.

OPERATIONS

During the year the volume of crude oil and natural gas liquids received into the system averaged a record



Outdoor electric pumping units at Edmonton station

785,900 barrels per day—an increase of 7.7% over 1968. As noted below, the increased receipts were entirely from Alberta with Saskatchewan receipts declining slightly and Manitoba remaining unchanged.

CRUDE OIL RECEIPTS
(in thousands of barrels per day)

	1969	1968
Alberta	542.1	475.5
Saskatchewan	225.8	236.6
Manitoba	17.5	17.5
Ontario	0.5	0.2
	785.9	729.8

Deliveries in 1969 averaged 776,000 barrels per day—59,300 barrels per day greater than in 1968. Ontario continued to be the largest market but most of the gain was in deliveries to refineries in the United States



34-inch ditching machine



Restoration of right-of-way following construction

which increased to 313,200 from 271,300 barrels per day in 1968.

CRUDE OIL DELIVERIES
(in thousands of barrels per day)

	1969	1968
Western Canada	111.5	106.8
United States		
Superior and West	135.5	116.2
East of Superior	177.7	155.1
Ontario	351.3	338.6
	776.0	716.7

Receipts of crude oil exceeded deliveries by 3.6 million barrels. Approximately 2.3 million of this difference was accounted for as line fill for the newly constructed pipe lines. The balance was for increased working stocks, losses, and crude oil used as fuel. By year end line fill, which is provided by the shippers, totalled 18,960,000 barrels.

CONSTRUCTION

1969 REVIEW

Capital expenditures totalled $70.6 million and increased the investment in the pipe line system to $587 million.

During the year, 170 miles of 34-inch pipe were installed in Western Canada. This completed the planned stepwise construction of a third line between Edmonton and Superior—a distance of 1,100 miles. The second line from Superior to Sarnia via Chicago was also completed. The first phase of this project was the construction of a 34-inch line from Superior to Chicago in 1968. The final phase was the installation of 290 miles of 30-inch pipe between Chicago and Sarnia. Capacity

of these lines will be increased as required by the installation of additional pumping units.

During the year, four new pumping stations were constructed on the southern line between Superior and Sarnia and pumping units were added at eight existing stations elsewhere in the system. Construction of a new station on the 12-inch line to Buffalo was also started during the year. When this station is completed and the ten temporary stations on the northern line between Superior and Sarnia are completely deactivated, installed horsepower will total 426,930.

Three additional tanks were constructed during the year, at Edmonton, Griffith and Westover. This increased tankage capacity to 9,653,000 barrels.

1970 Forecast

The construction program for 1970 is relatively modest compared with the last three years and is presently estimated at $10.3 million. This amount, together with $4.3 million required to complete 1969 projects, will result in capital expenditures of $14.6 million. Twenty miles of 20-inch loop will be constructed in Ontario which will complete approximately one-half of the second line between Sarnia and Port Credit. Six additional pumping units between Edmonton and Superior and four pumping units in Ontario will also be installed together with two 290,000-barrel tanks at Edmonton and one 217,000-barrel tank at Griffith.

Capacity

Based on the estimated volumes of light and heavy crudes, the average annual physical capacities of the various sections of the pipe line system that will be available for 1970 and 1971 operations are as follows:

Line Section	In thousands of barrels per day	
	1970	1971
Edmonton-Regina	1,001	1,001
Regina-Cromer	873	938
Cromer-Gretna	1,027	1,045
Gretna-Superior	983	1,089
Superior-Sarnia via Straits of Mackinac	538	538
Superior-Chicago	331	331
Chicago-Sarnia	306	306
Sarnia-Port Credit	287	316
Westover-Buffalo	90	90

GENERAL

Mr. D. R. Walker resigned from the Board of Directors in June and Mr. W. P. Wilder, President and Director of Wood Gundy Securities Limited, was appointed to fill his unexpired term. In January 1970 Mr. Trevor F. Moore resigned and was replaced by Mr. J. G. Livingstone, a Vice-President and Director of Imperial Oil Limited. Both Mr. Walker and Mr. Moore were directors for almost twenty years and made important contributions to the success of the company, particularly in the financial field.

A consistent factor in the growth and success of the company is the high standard of performance of all employees. The directors and management once again welcome this opportunity of expressing their appreciation for this essential contribution.

On behalf of the Board of Directors



President

Consolidated statement of source and application of funds (Canadian dollars)

	Year ended December 31	
	1969	1968 (Note 3)
Funds were provided from the following sources:		
Earnings for the year	$ 24,426,000	$ 23,334,000
Add—Non-cash charges to earnings:		
Depreciation and amortization (Note 2)	16,070,000	13,677,000
Deferred income taxes (Note 4)	7,883,000	4,706,000
Deferred investment tax credit, net (Note 5)	608,000	3,904,000
Other	150,000	243,000
Funds provided from operations	49,137,000	45,864,000
Long term debt (Note 3):		
Bank loans—		
Interprovincial Pipe Line Company	18,800,000	11,200,000
Lakehead Pipe Line Company, Inc.	37,731,000	—
Debentures issued by Lakehead Pipe Line Company, Inc.	—	80,755,000
Income tax recoverable (Note 5)	1,189,000	1,765,000
Other transactions, net	503,000	212,000
	107,360,000	139,796,000
Funds were expended for the following:		
Dividends	18,316,000	18,316,000
Long term debt retired or included in current liabilities	14,817,000	9,676,000
Additions to pipe line transportation system	70,595,000	114,189,000
Cost of issuing long term debt	—	1,460,000
	103,728,000	143,641,000
Change in working capital (decrease)	3,632,000	(3,845,000)
Working capital (deficit) at beginning of year	(14,122,000)	(10,277,000)
Working capital (deficit) at end of year	$ (10,490,000)	$ (14,122,000)

The accompanying notes are part of the financial statements.

Consolidated statement of earnings (Canadian dollars)

	Year ended December 31	
	1969	1968
Income:		
Transportation revenue	$114,465,000	$105,532,000
Other income	994,000	1,049,000
	115,459,000	106,581,000
Expenses:		
Operating and administrative	25,404,000	25,665,000
Taxes, other than income taxes	8,338,000	5,789,000
Provision for depreciation (Note 2)	15,525,000	13,132,000
Interest on long term debt	13,898,000	8,608,000
Loss on foreign exchange (Note 1)	490,000	131,000
Amortization of facilities to be retired (Note 2)	545,000	545,000
	64,200,000	53,870,000
Earnings before income taxes	51,259,000	52,711,000
Provision for income taxes:		
Current	18,342,000	20,767,000
Deferred (Note 4)	7,883,000	4,706,000
Deferred investment tax credit, net (Note 5)	608,000	3,904,000
	26,833,000	29,377,000
Earnings for the year	$ 24,426,000	$ 23,334,000
Earnings per share	$0.96	$0.92

Consolidated statement of retained earnings (Canadian dollars)

	Year ended December 31	
	1969	1968
Balance at beginning of year	$ 58,487,000	$ 53,469,000
Earnings for the year	24,426,000	23,334,000
	82,913,000	76,803,000
Dividends paid—$0.72 per share	18,316,000	18,316,000
Balance at end of year	$ 64,597,000	$ 58,487,000

The accompanying notes are part of the financial statements.

Consolidated balance sheet (Canadian dollars)

ASSETS

	December 31 1969	1968
Current Assets:		
Cash	$ 2,370,000	$ 1,610,000
Term deposits with Canadian chartered banks	2,415,000	1,902,000
Short term investments, at cost which is equivalent to market	3,304,000	2,078,000
Accounts receivable—		
Transportation charges	8,439,000	6,904,000
Income tax recoverable (Note 5)	1,189,000	1,765,000
Other	1,369,000	1,126,000
Deposit for bond interest due January 1	—	326,000
Inventory of materials and supplies, at cost	2,185,000	2,082,000
Prepaid expenses	565,000	343,000
	21,836,000	18,136,000
Other Assets and Deferred Charges:		
Unamortized discount and expense on long term debt	2,540,000	2,678,000
Other	635,000	730,000
	3,175,000	3,408,000
Pipe Line Transportation System, at cost (Note 2)	587,340,000	518,799,000
Less—Accumulated depreciation	152,015,000	137,584,000
	435,325,000	381,215,000
	$460,336,000	$402,759,000

The accompanying notes are part of the financial statements.

LIABILITIES

	December 31 1969	1968 (Note 3)
Current Liabilities:		
Accounts payable	$ 5,895,000	$ 7,886,000
Interest accrued	3,614,000	3,387,000
Income and other taxes	7,791,000	11,108,000
Long term debt due within one year (Note 3)	15,026,000	9,877,000
	32,326,000	32,258,000
Long Term Debt (Note 3)	265,184,000	223,470,000
Deferred Income Taxes (Note 4)	42,457,000	34,574,000
Deferred Investment Tax Credit (Note 5)	10,257,000	8,457,000
Shareholders' Equity:		
Capital stock (Note 6)—		
Authorized—$100,000,000 divided into 100,000,000 shares, par value $1 each		
Issued—1969—25,438,960 shares	25,439,000	—
—1968—25,438,835 shares	—	25,439,000
Contributed surplus—premium on shares (Note 6)	20,076,000	20,074,000
Retained earnings	64,597,000	58,487,000
	110,112,000	104,000,000
	$460,336,000	$402,759,000

Approved on Behalf of the Board:

Director

Director

Notes to consolidated financial statements (Canadian dollars)

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Interprovincial Pipe Line Company and its wholly owned subsidiaries. These are Interprovincial Pipe Line Patrol Company Limited in Canada and Lakehead Pipe Line Company, Inc., and its subsidiary, Pipe Line Service Company, Inc. in the United States.

United States dollar amounts have been translated into Canadian dollars on the following bases:

Current assets and liabilities—at the rate of exchange December 31;

Other assets and liabilities—at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses—at monthly rates of exchange except provision for depreciation which is translated on the same basis as the related fixed assets.

Net losses arising from the foregoing methods are shown on the Consolidated Statement of Earnings as Loss on foreign exchange.

2. PIPE LINE TRANSPORTATION SYSTEM: PROVISION FOR DEPRECIATION: AMORTIZATION OF FACILITIES TO BE RETIRED:

The pipe line transportation system and accumulated depreciation by major classes are as follows:

	Investment, at cost	Accumulated depreciation	Net investment December 31	
	December 31, 1969		1969	1968
	(in thousands of dollars)			
Land	$ 1,371	$ —	$ 1,371	$ 1,319
Rights-of-way	12,760	1,869	10,891	5,682
Pipe line	453,000	114,506	338,494	293,376
Pumping equipment, buildings and tanks	115,890	35,640	80,250	75,651
Construction in progress	4,319	—	4,319	5,187
	$587,340	$152,015	$435,325	$381,215

The companies' policy is to provide for depreciation of fixed assets on the straight line method, at annual rates which will amortize the cost of depreciable properties over their estimated service lives, after taking into account possible salvage values.

As the result of studies of the service lives and salvage values of various components of the pipe line system the companies, with the approval of regulatory bodies, adjusted their depreciation rates and thus the average annual depreciation rate for the pipe line transportation system was reduced for 1969 from 3.2% to 3.0%. This change had no significant effect on earnings.

It is the companies' policy to capitalize interest during the construction period on funds borrowed specifically for additions to the pipe line transportation system. This amounted to $2,220,000 during 1969.

Certain temporary pumping facilities constructed in 1967 on the 30-inch pipe line between Superior, Wisconsin and Port Huron, Michigan will be surplus to requirements in early 1970. Installation costs associated with these temporary facilities amounted to $1,090,000 and were amortized over two years commencing January 1, 1968. Consequently $545,000 was charged to earnings during 1969 and is shown on the Consolidated Statement of Earnings as Amortization of facilities to be retired. The surplus pumping facilities will be retained until required elsewhere in the system.

3. LONG TERM DEBT:

As a result of long term bank financing arrangements completed in February 1969, Bank Loans ($11,200,000) and Long term debt due within one year ($15,013,000) included as current liabilities in the financial statements at December 31, 1968 have been reclassified to Long Term Debt in the 1968 comparative figures.

Particulars of long term debt outstanding at December 31, are as follows:

		1969	1968
		(in thousands of dollars)	
Interprovincial Pipe Line Company—	Originally issued	Expressed in Canadian dollars	
First Mortgage and Collateral Trust Bonds—			
Series A—3½% due January 1, 1970	$37,000 Can.	$ 7,453	$ 9,252
B—3½% due January 1, 1970	35,000 U.S.	7,560	9,666
C—4% due April 1, 1973	60,000 U.S.	24,076	27,780
D—3⅝% due April 1, 1974	30,000 U.S.	13,788	15,525
E—5½% due April 1, 1985	12,000 Can.	11,340	11,670
Sinking Fund Debentures—			
Series A—6% due November 1, 1986	35,000 Can.	34,749	35,000
Bank Loans—			
$20,000,000, repayable by July 1, 1971		20,000	11,200
$25,000,000 available, repayable over a six-year period commencing in 1971		10,000	—
Lakehead Pipe Line Company, Inc.—			
Sinking Fund Debentures (guaranteed by Interprovincial)—			
Series A—6½% due August 1, 1992	30,000 U.S.	32,298	32,298
B—7⅛% due April 15, 1993	75,000 U.S.	80,755	80,755
Bank Loan (guaranteed by Interprovincial)—			
$35,000,000 U.S., repayable over a five-year period commencing in 1970		37,731	—
		279,750	233,146
Less—Long term debt due within one year except final payments on Series A and B Bonds due January 1, 1970 (see explanation below)		14,566	9,676
		$265,184	$223,470

On January 2, 1970 the balance of $15,000,000 available to Interprovincial from bank loans was drawn down and applied toward final payments on the First Mortgage and Collateral Trust Bonds—Series A and Series B. Such final payments are included in Long Term Debt.

Interprovincial and Lakehead bank loans bear interest based on the prevailing prime bank rates which may vary from time to time. Repayment of these loans may be accelerated at any time without penalty.

Principal repayments required on Long Term Debt (including bank loans drawn down January 2, 1970) for the years 1971 through 1974 expressed in Canadian dollars are $39,887,000, $20,908,000, $23,698,000 and $20,343,000 respectively.

4. DEFERRED INCOME TAXES:

Under Canadian and United States income tax regulations more depreciation may be deducted for tax purposes than the amounts recorded in the accounts for Provision for depreciation and Amortization of facilities to be retired (Note 2); also, during construction periods interest

capitalized and, in the United States, sales and property taxes capitalized, may be claimed for tax purposes in the year incurred. The companies are taking advantage of the maximum deductions permitted for tax purposes which results in a deferment of taxes to future years when amounts deductible will be less than the depreciation recorded in the accounts.

5. DEFERRED INVESTMENT TAX CREDIT:

During the period January 1, 1962 to April 18, 1969 the United States subsidiary companies have been allowed a credit against income taxes payable of a specified percentage of the cost of most depreciable assets acquired and placed in service. The investment tax credit has been deferred and is being taken into earnings over the life of the related assets.

Prior to legislation which cancelled the right to this credit effective April 18, 1969, firm contracts had been placed for most of the 1969 construction program and thus these expenditures are eligible for the investment tax credit. A portion of the credit of $2,616,000 resulting from 1969 construction was in excess of the maximum amount allowed as a credit against income taxes currently payable and will be applied against taxes paid in prior years with the result that income taxes of $1,189,000 previously paid will be recoverable in 1970. The net charge of $608,000 appearing in the Consolidated Statement of Earnings takes into account the foregoing figures and the amortization of amounts deferred in prior years.

6. CAPITAL STOCK:

Share purchase warrants outstanding entitle the holders to purchase shares of capital stock of the company on or before November 1, 1976 at $17 per share. During 1969, 125 shares were issued to holders who exercised their warrants, leaving a balance of 872,450 share purchase warrants outstanding at December 31, 1969. Cash received from the sale of these shares was credited to Capital stock to the extent of par value and the remainder of $2,000 was credited to Contributed surplus.

Of the authorized and unissued shares in the company, 250,000 shares have been reserved under the Employee Incentive Stock Option Plan which was approved at the Annual General Meeting of Shareholders on April 9, 1969 and which terminates ten years thereafter. Under the Plan, key employees may be granted options to purchase unissued shares of capital stock exercisable for a period not exceeding ten years after the date of granting the options at not less than 90% of the market price on that date. In 1969 options to purchase 100,000 shares at $17 per share were granted of which options to purchase 4,500 shares have terminated under terms of the Plan. Options outstanding at December 31, 1969 are exercisable after April 8, 1970 and expire April 8, 1979.

7. PENSION PLANS:

The companies' pension plans, which cover substantially all employees, were revised for both past and future service effective January 1, 1966 and January 1, 1968. The actuarial liability for past service benefits arising from these revisions, in the principal amount of $2,796,000 at the dates of the revisions, together with interest, will be amortized by charges to earnings over a period of up to twenty years. The total expense of these plans in 1969 amounted to $588,000 of which $126,000 is applicable to past service benefits.

8. MICHIGAN FRANCHISE TAX:

The State of Michigan has issued assessments against Lakehead for franchise taxes for the years 1957 through 1969. This tax imposes an annual fee upon all corporations for the privilege of doing business in Michigan. Counsel has advised that the assessments are unconstitutional when imposed on corporations engaged solely in interstate and foreign commerce. Lakehead has commenced litigation against the State of Michigan to have the assessment set aside.

Pending determination of the issue, the company has been providing annually for the taxes and interest involved which amounts to $682,000 (after income tax) at December 31, 1969 of which $126,000 was provided in the current year.

9. REMUNERATION OF DIRECTORS:

The total amount deducted on the Consolidated Statement of Earnings for remuneration paid to directors, including a salaried director, was $75,000.

INTERPROVINCIAL PIPE LINE COMPANY

and subsidiary companies

Auditors' Report

To the Shareholders of
INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and subsidiary companies as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta,
February 9, 1970.

Price Waterhouse & Co
Chartered Accountants.

Ten Year Review

FINANCIAL

(in thousands of dollars except per share amounts)

Income
Expenses
Income taxes
Earnings
per share
Dividends paid
per share
percentage of earnings

Working capital (deficit)

Cash flow from operations
per share

Additions to pipe line transportation system
Investment in pipe line transportation system (cost)
Investment in pipe line transportation system (net)

Long term debt

Shares outstanding at year end (thousands)
Shareholders

OPERATING

Receipts of Crude Oil from: (*barrels per day*)
Alberta
Saskatchewan
Manitoba
Ontario
United States

Deliveries of Crude Oil to: (*barrels per day*)
Edmonton—for West Coast
Prairie Provinces
United States—Superior and West
—East of Superior
Ontario

Barrel Miles (*millions*)

Note: Per share amounts and shares outstanding prior to 1967 adjusted for five-for-one subdivision of capital stock made in May, 1967.

1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
115,459	106,581	94,441	89,006	80,292	74,983	69,999	66,570	59,227	54,844
64,200	53,870	45,719	40,599	34,798	32,998	31,013	27,914	25,729	24,029
26,833	29,377	26,197	25,884	25,157	22,783	21,206	20,977	17,402	15,335
24,426	23,334	22,525	22,523	20,337	19,202	17,780	17,679	16,096	15,480
0.96	0.92	0.89	0.89	0.80	0.75	0.70	0.70	0.63	0.61
18,316	18,316	18,315	18,314	17,551	16,787	15,755	15,491	14,705	14,184
0.72	0.72	0.72	0.72	0.69	0.66	0.62	0.61	0.58	0.56
75%	78%	81%	81%	86%	87%	89%	88%	91%	92%
(10,490)	*(14,122)	(10,277)	24,409	(12,177)	(18,572)	(16,057)	689	6,821	6,921
49,137	45,864	39,053	35,286	32,648	30,989	30,443	28,537	25,975	25,458
1.93	1.80	1.54	1.39	1.28	1.22	1.20	1.12	1.02	1.00
70,595	114,189	76,721	4,513	11,172	7,661	23,453	12,350	3,057	5,440
587,340	518,799	405,657	334,507	330,676	320,023	312,670	289,465	277,382	274,560
435,325	381,215	280,867	216,854	224,765	224,125	226,676	212,805	209,461	215,324
265,184	*223,470	141,191	119,087	93,663	90,992	100,073	108,378	115,339	123,758
25,439	25,439	25,439	25,436	25,436	25,436	25,415	25,402	25,362	25,342
21,996	21,486	18,321	16,290	15,521	14,127	12,757	12,582	12,353	11,834
542,093	475,437	386,331	340,263	313,923	271,366	271,610	251,214	241,717	204,434
225,755	236,613	239,466	245,435	228,777	216,250	190,281	171,657	146,927	133,528
17,489	17,524	15,863	14,812	14,110	12,608	10,887	11,190	12,611	13,142
550	205	—	—	—	—	—	—	—	—
—	—	3,502	6,836	4,903	4,487	4,178	123	—	—
785,887	729,779	645,162	607,346	561,713	504,711	476,956	434,184	401,255	351,104
6,085	6,013	7,634	8,501	14,595	5,013	3,818	7,172	13,213	18,175
105,419	100,819	99,416	98,316	91,523	85,300	84,358	82,457	75,162	75,365
135,451	116,196	97,371	94,054	85,318	75,990	63,587	55,671	51,921	54,001
177,746	155,075	114,900	83,928	58,383	52,108	50,916	51,288	39,320	8,890
351,270	338,624	317,969	320,145	308,226	285,556	267,903	235,897	220,200	193,039
775,971	716,727	637,290	604,944	558,045	503,967	470,582	432,485	399,816	349,470
366,287	337,978	289,691	267,354	241,264	221,691	207,724	186,562	170,468	137,483

Restated to be comparable with 1969 figures. See Note 3 of Notes to Financial Statements.



1.



2.



3.



4.



5.



J. G. Livingstone

From left to right

1. R. H. Reid, J. W. Hamilton, J. W. Morgan
2. R. D. Parker, H. Bridges, W. H. Rea
3. W. P. Wilder, J. A. Cogan, T. S. Johnston
4. T. F. Moore, D. G. Waldon
5. J. Blight, R. B. Burgess, R. K. Heule

DIRECTORS

Harold Bridges	*President and Director, Shell Canada Limited, Toronto*
J. A. Cogan	*Senior Vice-President and Director, Imperial Oil Limited, Toronto*
J. W. Hamilton	*Vice-President and Director, Imperial Oil Limited, Toronto*
T. S. Johnston	*Retired, former Chairman of the Board, Interprovincial Pipe Line Company, Toronto*
*J. G. Livingstone	*Vice-President and Director, Imperial Oil Limited, Toronto*
J. Willis Morgan	*Vice-President, Gulf Oil Canada Limited, Toronto*
R. D. Parker	*Consultant, former Senior Vice-President and Director, The International Nickel Company of Canada, Limited, Toronto*
W. Harold Rea	*Chairman of the Board, Great Canadian Oil Sands Limited, Toronto*
R. H. Reid	*President and Managing Director, London Life Insurance Company, London, Ontario*
D. G. Waldon	*President, Interprovincial Pipe Line Company, Toronto*
W. P. Wilder	*President and Director, Wood Gundy Securities Limited, Toronto*

*Appointed January 28, 1970 to fill the vacancy created by the resignation of Mr. Trevor F. Moore.

OFFICERS

D. G. Waldon	*President*
J. W. Hamilton	*Vice-President*
J. Blight	*Secretary-Treasurer*
R. B. Burgess	*General Counsel*
R. K. Heule	*General Manager*
F. B. Newton	*Assistant Treasurer*
E. G. Sheasby	*Assistant General Counsel & Assistant Secretary*



INTERPROVINCIAL PIPE LINE COMPANY

And its United States Subsidiary

LAKEHEAD PIPE LINE COMPANY, INC.

Legend

SIZE IN INCHES	LENGTH IN MILES
12	92
16	428
18	363
20	658
24	772
26	326
30	933
34	1,564
	5,136

PUMPING STATIONS


ONTARIO
QUEBEC
SAXON
INO
GOGEBIC
IRON RIVER
RAPID RIVER
GOULD CITY
MANISTIQUE
MACKINAW
INDIAN RIVER
LEWISTON
WEST BRANCH
BAY CITY
NORTH BRANCH
ADAMS
WISCONSIN
MICHIGAN
CHICAGO
GRIFFITH
NILES
MARSHALL
Tecumseh
Buckeye
DETROIT
TOLEDO
CYGNET
SARNIA
KEYSER
WOLVERTON
WESTOVER
PORT CREDIT
SMITHVILLE
TONAWANDA
BUFFALO
BRYANSTON
NEW YORK
ILLINOIS
INDIANA
OHIO

AR17

DEC 15, 1969

INTERPROVINCIAL PIPE LINE COMPANY

LAKEHEAD PIPE LINE COMPANY, INC.

GENERAL INFORMATION BOOKLET

December 15, 1969

INTERPROVINCIAL PIPE LINE COMPANY

Interprovincial Pipe Line Company and its wholly owned subsidiary, Lakehead Pipe Line Company, Inc., own and operate the largest crude oil pipe line system in the Western Hemisphere - a 1,929 mile line stretching from Redwater, Alberta, north of Edmonton, to Port Credit, Ontario, just west of Toronto.

The system consists of three parallel lines of pipe from Edmonton to Superior, Wisconsin; a single line from Superior to Port Credit via northern Michigan; a second line from Superior to Sarnia via Chicago; a branch line to Buffalo, New York.

The Company operates as a common carrier and is engaged in the transportation of crude oil and other liquid hydrocarbons at established tariffs.

HISTORY

Interprovincial Pipe Line Company was incorporated by a special act of the Parliament of Canada in 1949. Lakehead Pipe Line Company, Inc., was incorporated in the United States in the same year.

In 1950, the Company constructed a large diameter pipe line from Edmonton to Superior. This line, with an extension to Redwater, was 1,128 miles long and was in operation by December, 1950.

Additional construction of loop lines, extensions of the main line, stations, tankage or other facilities has taken place each year since 1950.

SYSTEM HIGHLIGHTS

1950 -- Original line from Edmonton to Superior, plus a leg from Redwater to Edmonton completed in a record 150 days. Total length 1,128 miles.

1953 -- Line extended from Superior to Sarnia, via Straits of Mackinac, with 30-inch pipe. In addition, 134 miles of 24-inch pipe completed between Regina and Gretna.

1957 -- System extended from Sarnia to Port Credit, near Toronto, involving construction of 156 miles of 20-inch pipe. In addition looping completed between Regina and Superior, giving the system a complete second line on this section.

1958 -- Second line completed between Edmonton and Regina with addition of 82 more miles of 24-inch pipe. This completed the second line between Edmonton and Superior.

1962 -- First of 34-inch pipe added between Clearbrook and Deer River, in Minnesota, with 39 miles of line looping.

1963 -- Lateral 12-inch, 92-mile line to Buffalo completed in late spring. The 34-inch looping program continued, with 166 miles of pipe added -- 41 miles in Manitoba and 125 miles in Minnesota.

1966 -- Work begun on a $4,700,000 modernization program, to include electrification of pumping stations in Manitoba and remote control of the system between Edmonton and Superior. Line looping on this section continued.

1968 -- A 464-mile extension to the Chicago area constructed with 34-inch pipe as the first leg of a loop around Lake Michigan from Superior to Sarnia. 34-inch line looping continued.

1969 -- Two major pipe laying projects completed: Chicago loop completed with addition of a 290-mile, 30-inch extension from Griffith, Indiana to Sarnia, Ontario. The 34-inch line completed between Edmonton and Superior giving the company three complete lines between these points.

RESUME OF PLANNED CONSTRUCTION FOR 1970

Main Line Addition -- 20 miles of 20-inch loops to be built between Sarnia and Port Credit at an estimated cost of $2,250,000. This will give Interprovincial a total of 77 miles of second line between these points.

Station Horsepower -- Single 2,500 h.p. electric units to be added at Regina and Glenavon, Saskatchewan and Sarnia, Keyser, Bryanston and Wolverton in Ontario. Two 2,000 h.p. electric units to be added at Gretna, Manitoba.

In the United States, one 4,000 h.p. diesel unit to be added at Viking and one 4,000 h.p. electric unit to be added at Deer River.

Tankage -- Two 290,000-barrel tanks to be constructed at Edmonton and one 217,000-barrel tank to be built at Griffith.

Total projected cost of 1970 construction $10,000,000.

SYSTEM HIGHLIGHTS (1969 Construction Included)

Mileage

1,929 miles first line - Redwater to Port Credit
1,098 miles second line - Edmonton to Superior
1,098 miles third line (34") Edmonton to Superior
100 miles of loop line (16") near Glenavon, Sask. and Glenboro, Man.
56 miles loop line (20") - 4 loops between Sarnia and Port Credit
92 miles extension - Westover, Ontario to Buffalo, New York
755 miles second line - Superior to Sarnia via Chicago

TOTAL MILEAGE - 5,128 (Plus 4 miles for double crossing of Straits of Mackinac)

Pipe Diameters

12" -	92 miles	
16" -	428 miles	
18" -	363 miles	
20" -	659 miles	
24" -	772 miles	
26" -	326 miles	
30" -	931 miles	
34" -	1,561 miles	
	5,132 miles	(Including double lines across Straits of Mackinac)

Line Fill

It takes 18,936,469 barrels of oil to fill the line (line fill for 1969 construction estimated).

Pumping Stations

There are 46 pumping stations located at Redwater, Edmonton, Strome, Hardisty, Metiskow, (Alberta); Kerrobert, Milden, Loreburn, Craik, Regina, Glenavon, (Saskatchewan); Cromer, Souris, Glenboro, Manitou, Gretna, (Manitoba); Donaldson, Viking, Plummer, Clearbrook, Deer River, (Minnesota); Superior, Ino Saxon, Adams, (Wisconsin); Griffith, (Indiana); Gogebic, Iron River, Rapid River, Manistique, Gould City, Mackinaw, Indian River, Lewiston, West Branch, Bay City, North Branch, Niles, Marshall, (Michigan); and Sarnia, Keyser, Bryanston, Wolverton, Westover and Smithville, (Ontario); Tonawanda, (New York). Total pumping horsepower, including 1969 additions, will be 427,590 for 1970 operations

Tankage

The company has in operation a total of 93 working tanks at various locations along the line, (see map legend) holding a total of 9,707,000 barrels of oil. These tanks range in size from 14,000 to 217,000 barrels capacity and are used to facilitate movement of the batches.

Administration

During 1969 Lakehead Pipe Line Company operations were re-organized and a new district created to operate the original 30-inch line along the upper peninsula of Michigan. Headquarters for the new District 4 was established at Manistique. Lakehead now is comprised of four districts, with headquarters as follows: District 3, Bemidji, Minnesota; District 4, Manistique, Michigan; District 5, Fort Atkinson, Wisconsin and District 6, Bay City, Michigan.

Employees

About 590 employees - approximately 205 with Lakehead Pipe Line Company, Inc. and 385 with Interprovincial Pipe Line Company.

Housing

The company owns 53 housing units, rented to certain of its employees in locations where normal housing is not available.

Investments

As of December 31, 1968 the total investment in plant and equipment was $518,799,737 (estimated 1969 expenditures are $75,000,000). Including 1969 construction, this is $1,006,440 investment per employee.

Capacity

Upon completion of the 1969 construction program the capacity of the various sections of the pipe line system will be as follows:

Redwater - Edmonton	96,000 bbls. per day
Edmonton - Regina	1,001,000 bbls. per day
Regina - Cromer	873,000 bbls. per day
Cromer - Gretna	1,027,000 bbls. per day
Gretna - Superior	983,000 bbls. per day
Superior - Sarnia (via Straits of	538,000 bbls. per day
Superior - Chicago Mackinac)	319,000 bbls. per day
Chicago - Sarnia	319,000 bbls. per day
Sarnia - Port Credit	287,000 bbls. per day
Westover - Buffalo	84,000 bbls. per day

Operation

The system delivered 261.6 million barrels of oil in 1968, which averaged 716,727 barrels per day. In February, 1969, deliveries reached 827,211 barrels per day, the highest rate for one month in the company's history. At October 31, the average deliveries for the first ten months of 1969 stood at 762,846 barrels per day.

The Interprovincial system is connected with the following gathering and/or transmission pipe lines and receives deliveries from them at the points indicated:

Mitsue Pipeline Ltd.	Redwater, Alberta
Britamoil Pipe Line Co. Ltd.	Edmonton, Alberta
Edmonton Pipe Line Co. Ltd.	Edmonton, Alberta
Federated Pipe Lines Ltd.	Edmonton, Alberta
Imperial Pipe Line Co. Ltd.	Redwater, Excelsior and Edmonton, Alberta
Peace River Oil Pipe Line Ltd.	Edmonton, Alberta
Pembina Pipe Line Ltd.	Edmonton, Alberta
Nisku Products Pipe Line Co. Ltd.	Edmonton, Alberta
Rimbey Pipe Line Co. Ltd.	Edmonton, Alberta
Texaco Explorations Co.	Edmonton, Alberta
Great Canadian Oil Sands Ltd.	Edmonton, Alberta
Gibson Petroleum Company Limited	Edmonton, Alberta
Rainbow Pipe Line Co. Ltd.	Edmonton, Alberta

Gibson Associated Oils Ltd.	Hardisty, Alberta
Husky Pipeline Ltd.	Hardisty, Alberta
Bow River Pipe Line Ltd.	Hardisty, Alberta
Hardisty Storage Pipe Line Co.	Hardisty, Alberta
Mid-Saskatchewan Pipe Lines Ltd.	Kerrobert, Saskatchewan
South Saskatchewan Pipe Lines Co.	Regina, Saskatchewan
Trans-Prairie Pipe Lines Ltd.	Cromer, Manitoba
Westspur Pipe Line Co.	Cromer, Manitoba

The system is connected with the following pipe lines and delivers crude oil to them at points indicated.

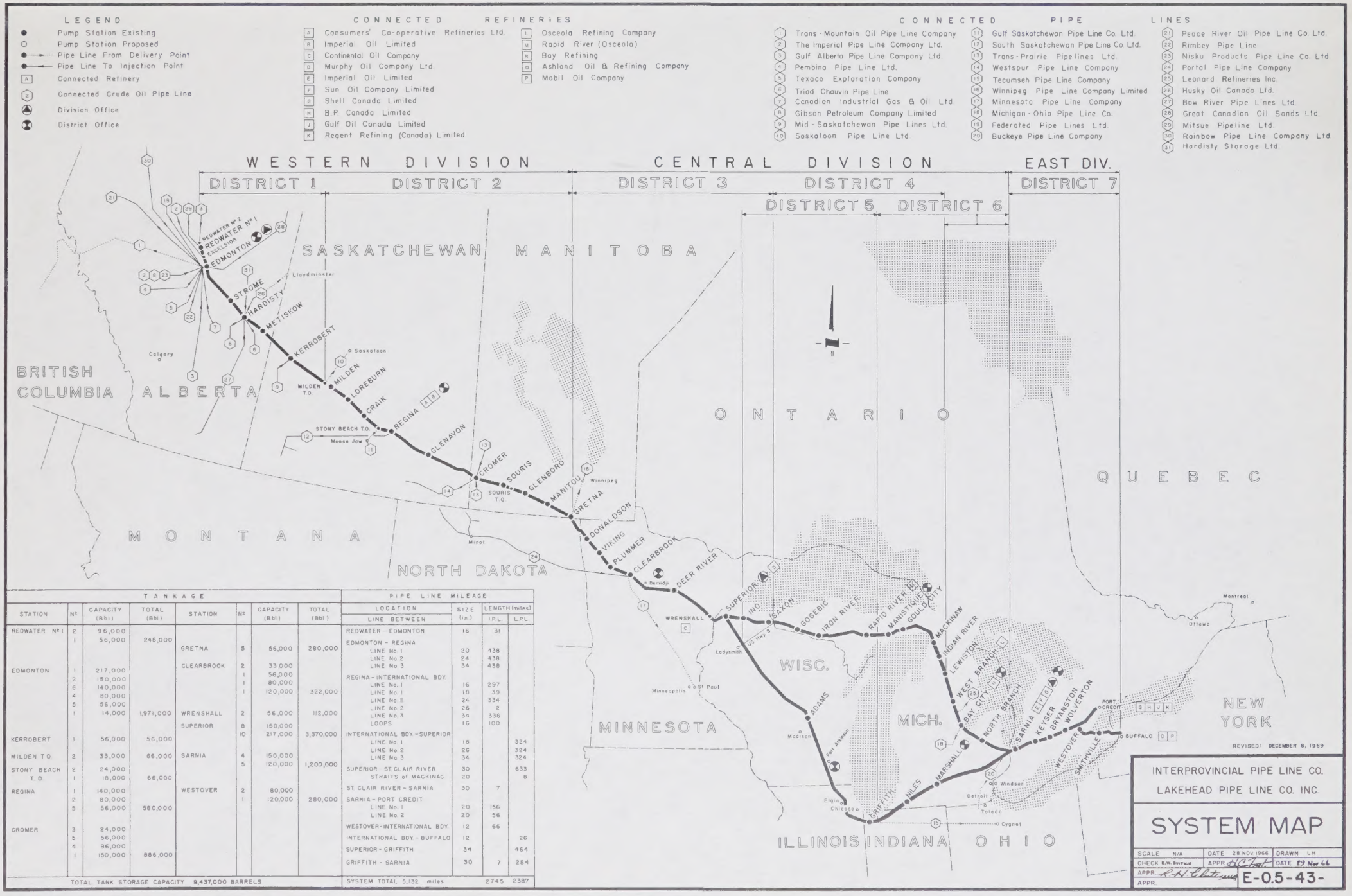
Trans Mountain Oil Pipe Line Co.	Edmonton, Alberta
Husky Pipeline Ltd.	Hardisty, Alberta
Saskatoon Pipe Line Ltd.	Milden, Saskatchewan
Gulf (Saskatchewan) Pipe Line Ltd.	Stony Beach, Saskatchewan
Winnipeg Pipe Line Co. Ltd.	Gretna, Manitoba
Minnesota Pipe Line Co.	Clearbrook, Minnesota
Bay Pipe Line Corp.	Bay City, Michigan
Michigan-Ohio Pipe Line Co.	Bay City, Michigan
Buckeye Pipe Line Co.	Port Huron, Michigan
Tecumseh Pipe Line Co.	Griffith, Indiana

The Interprovincial system either directly or in conjunction with its connecting carriers transports Western Canadian crude oil to refineries at:

Saskatoon, Moose Jaw and Regina, Saskatchewan
Winnipeg, Manitoba
St. Paul-Minneapolis area and Wrenshall, Minnesota
Superior, Wisconsin
West Branch, Alma, Bay City and Rapid River, Michigan and the Detroit-Toledo area.
Sarnia, Clarkson, Oakville and Port Credit, Ontario
Buffalo, New York

Interprovincial Pipe Line Company
P.O. Box 398
Edmonton, Alberta

December 15, 1969



TANKAGE

STATION	Nº	CAPACITY (Bbl)	TOTAL (Bbl)	STATION	Nº	CAPACITY (Bbl)	TOTAL (Bbl)
REDWATER Nº 1	2	96,000					
	1	56,000	248,000				
				GRETNA	5	56,000	280,000
EDMONTON	1	217,000					
	2	130,000		CLEARBROOK	2	33,000	
	6	140,000			1	56,000	
	4	80,000			1	80,000	
	5	56,000			1	120,000	322,000
	1	14,000	1,971,000	WRENSHALL	2	56,000	112,000
				SUPERIOR	8	150,000	
					10	217,000	3,370,000
KERROBERT	1	56,000	56,000				
MILDEN T.O.	2	33,000	66,000	SARNIA	4	150,000	
					5	120,000	1,200,000
STONY BEACH T.O.	2	24,000					
	1	18,000	66,000				
REGINA	1	140,000		WESTOVER	2	80,000	
	2	80,000			1	120,000	280,000
	5	56,000	580,000				
CROMER	3	24,000					
	5	56,000					
	4	96,000					
	1	150,000	886,000				

TOTAL TANK STORAGE CAPACITY 9,437,000 BARRELS

PIPE LINE MILEAGE

LOCATION LINE BETWEEN	SIZE (in.)	LENGTH (miles) I.P.L.	L.P.L.
REDWATER - EDMONTON	16	31	
EDMONTON - REGINA			
LINE No. 1	20	438	
LINE No. 2	24	438	
LINE No. 3	34	438	
REGINA - INTERNATIONAL BDY.			
LINE No. 1	16	297	
LINE No. 1	18	39	
LINE No. 1	24	334	
LINE No. 2	26	2	
LINE No. 3	34	336	
LOOPS	16	100	
INTERNATIONAL BDY.-SUPERIOR			
LINE No. 1	18		324
LINE No. 2	26		324
LINE No. 3	34		324
SUPERIOR - ST. CLAIR RIVER	30		633
STRAITS of MACKINAC	20		8
ST. CLAIR RIVER - SARNIA	30	7	
SARNIA - PORT CREDIT			
LINE No. 1	20	156	
LINE No. 2	20	56	
WESTOVER-INTERNATIONAL BDY.	12	66	
INTERNATIONAL BDY. - BUFFALO	12		26
SUPERIOR - GRIFFITH	34		464
GRIFFITH - SARNIA	30	7	284
SYSTEM TOTAL 5,132 miles		2745	2387

INTERPROVINCIAL PIPE LINE CO.
LAKEHEAD PIPE LINE CO. INC.

SYSTEM MAP

SCALE N/A | DATE 28 NOV 1966 | DRAWN L.H.
CHECK E.W. BUTTLE | APPR. | DATE 29 Nov 66
APPR. | APPR.

E-0.5-43-